

CITY OF YALE, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

CITY OF YALE, IOWA
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CITY OF YALE, IOWA
OFFICIALS
March 31, 2021

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Steve Stanton	Mayor	January, 2018	January, 2022
Emily Albers	Council Member	May, 2020	January, 2022
Tim Walker	Council Member	January, 2018	January, 2022
Ben Sease	Council Member	September, 2019	January, 2022
John Chase	Council Member	January, 2018	January, 2022
Dick Kipp	Council Member	January, 2018	January, 2022
Jill White	City Clerk		Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of the City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Yale for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Yale's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Yale's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

To the Honorable Mayor
and Members of the City Council

6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. The City had no debt.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Yale's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Yale and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

To the Honorable Mayor
and Members of the City Council

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Gene W. Bell, Rev. Lynn & W. P. C.

Atlantic, Iowa
November 17, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF YALE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, for the two months reviewed, the outstanding check list did not properly agree to the bank reconciliation and some bank balances did not agree to the bank reconciliation. For the two months reviewed, the outstanding check list variances were \$508 and \$433, and the bank and book balance variances were \$16 and \$9. In addition, there was no indication the bank reconciliations were independently reviewed.

Recommendation - The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) Certified Budget - Disbursements during the fiscal year ended June 30, 2020 exceeded the amount budgeted in the Public Safety function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." Also, Chapter 384.16(3) of the Code of Iowa requires the public hearing on the budget be published not less than ten nor more than twenty days before the hearing. The public hearing on the fiscal year 2021 budget was published more than twenty days before the hearing.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the notice of public hearing on the budget should be published not less than ten nor more than twenty days before the hearing as required.

CITY OF YALE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (D) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (E) City Council Meeting Minutes - The City Council minutes do not include the total disbursements for each fund in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should add to their Council minutes the total disbursements by fund for the month in accordance with Chapter 372.13(6) of the Code of Iowa.

- (F) Preparation of Time Sheets - The City's hourly and salaried employees do not prepare time sheets to document hours worked for payroll.

Recommendation - All City employees, both hourly and salaried, should fill out timesheets to document hours worked and the review and approval of all timesheets should be documented prior to payroll being paid.

- (G) Approval of Salaries and Wages - The City has not documented in the minutes the approved salaries and wages for all City employees.

Recommendation - The City should document annually in the minutes the approved salaries and wages for all City employees. In addition, any adjustments to the approved salaries and wages during the year should be documented in dollar amounts and not just a percentage change.

- (H) Financial Condition - The City's Water Utility, Road Use Tax and Employee Benefits Funds have deficit fund balances at March 31, 2021.

Recommendation - The City should investigate alternatives to eliminate the deficits in order to return these funds to a sound financial position.

- (I) Annual Financial Report - The City's receipts, expenditures and ending fund balance on the fiscal year 2020 Annual Financial Report did not agree with the City's financial records. Also, the City's fiscal year 2020 Annual Financial Report was not properly approved, published and filed with the State of Iowa prior to the December 1, 2020 deadline.

Recommendation - The City should establish procedures to ensure all receipts, expenditures and fund balances on the Annual Financial Report agree to the City's records, and that the Annual Financial Report is properly approved, published and filed with the State of Iowa prior to December 1.

CITY OF YALE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (J) Utility Billing - Throughout the time period tested, water utility usage was not accurately obtained by the City resulting in inaccurate billings being sent to the customers of the City's utilities.

Recommendation - The City should establish procedures to ensure accurate meter readings are obtained and customer utility billings are correct.

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